

Anglican Church Property Trust Diocese of Sydney

Ethical Investment Policy

Introduction

1. Anglican Church Property Trust Diocese of Sydney (“ACPT”) seeks to invest the property of the Long Term Pooling Fund in a diversified manner in a range of different assets, including securities.
2. This Policy outlines the ethical principles which ACPT will consider in determining whether an investment in the securities of an entity is made or maintained.
3. For the purposes of this Policy –
 - (a) an *entity* is any listed entity (corporation or trust) or managed fund, but not a government or government borrowing authority, and
 - (b) a *security* includes a share in the capital of a listed entity, an interest in a managed fund and a debt instrument issued by a company or managed fund.

Ethical and responsible behaviour

4. ACPT seeks to encourage ethical and responsible behaviour by entities and compliance with appropriate legal, labour, social, environmental, stewardship and governance standards. Accordingly, ACPT will consider the extent to which an investment in an entity will further this objective in assessing whether that investment is made or maintained.

Prohibited activities

Preamble

5. As a matter of general principle, ACPT seeks not to invest (either directly or indirectly through a managed fund) in the securities of an entity which earns revenue from one or more prohibited activities. For the purposes of this Policy, the following are *prohibited activities* –
 - (a) The manufacture or sale of –
 - Abortifacient or abortifacient-like contraceptives, or
 - Alcohol, or
 - Armaments, or
 - Pornography, or
 - Tobacco.
 - (b) Undertaking medical and/or surgical elective abortions.
 - (c) Undertaking stem cell research involving the destruction of embryos.
 - (d) Gambling.
6. However, in applying this principle, a number of practical considerations arise –
 - (a) Information about the sources of revenue of an entity is generally only available for *listed companies*.
 - (b) Such information is generally only available about material sources of revenue. Usually, this is a source of revenue which is 10% or more of the total revenue of the entity. This means that information about a source of revenue which is less than 10% of total revenue is generally not available.
 - (c) Given the relatively small size of the property invested by ACPT, there are substantial advantages in investing by way of managed funds. A managed fund is a pooled fund managed by an external investment manager in which [GAB/ACPT] invests along with other investors. Few managed funds have ethical policies which exclude investments in entities which earn revenue from all prohibited activities, and ACPT has a limited ability to influence the ethical policies of those funds. Allowing a managed fund to have an immaterial interest in entities which earn revenue from a prohibited activity is necessary if ACPT is to have a reasonable universe of funds from which it can choose a fund or funds in which to invest.

7. These considerations underpin the following principles.

Key principles

8. ACPT will not make a direct investment in a security of an entity, being a listed entity, if that entity is a *prohibited entity*.
9. ACPT will not make an investment in an entity, being a managed fund, if –
 - (a) the fund holds securities (either directly or indirectly) in a *prohibited entity*, and
 - (b) the total value of the securities held in all *prohibited entities* exceeds the *prescribed percentage* of the total value of all assets of the fund.
10. For these purposes –
 - (a) A *prohibited entity* is a publicly listed entity which earns more than 10% of its revenue directly from one or more prohibited activities.
 - (b) The *prescribed percentage* is 5%.
11. If ACPT invests in an entity and, after that investment is made, the entity becomes an entity in which further investments will not be made because of the principles in paragraphs 8 and 9, [GAB/ACPT] will seek to divest its existing investment in that entity in a timely and ordered way having regard to factors such as market conditions and the availability of appropriate alternate investment options.
12. In applying this Policy, [GAB/ACPT] will seek to source independent information about the activities of an entity and the sources of its revenue. However, independent information will not always be available. In relation to investments in a managed fund, ACPT will be reliant upon its investment manager monitoring the percentage of the total value of all assets of the fund attributable to securities in a prohibited entity. Such monitoring is likely only to be periodic rather than continual.
13. Due to the lack of publicly available information about the activities and sources of revenue of *unlisted companies*, the principles in this Policy in relation to prohibited activities will not usually be able to be applied to investments in securities in such unlisted companies, or managed funds which hold securities in such unlisted companies. Nevertheless, in determining whether to make or maintain an investment in an unlisted company or such a managed fund, ACPT will seek to assess (on the basis of such information as is available) whether the relevant company undertakes a prohibited activity and the extent of that activity, or whether the fund invests in the securities of entities which may undertake a prohibited activity, and the extent of those investments.

Climate Change Considerations

Preamble

14. The ACPT recognises the Paris Agreement, an international agreement between 196 state parties targeting reduced greenhouse gas emissions levels, as a significant step towards mitigation of catastrophic consequences as a result of global warming.
15. The ACPT believes that climate change as it relates to investment portfolios can influence long term return and risk outcomes. As such, the ACPT considers climate change as a systemic risk and seeks to address it where practically achievable.
16. These considerations underpin the following principles.

Key principles

17. The ACPT will test the resilience of its portfolio against a range of climate change scenarios, as recommended by the Taskforce on Climate-related Financial Disclosures (TCFD¹), and take steps where appropriate to improve the resilience of the portfolio to both the transition risks and the physical impact risks arising from climate change. This will include testing the portfolio's resilience to potential climate change shocks resulting from natural disasters.
18. The ACPT will measure the carbon footprint of its listed equity investments and take steps where possible to reduce emissions from its investments, as recommended by the TCFD. Within its Australian Shares investments, where availability and consistency of corporate emissions data is widely available, the ACPT has set a target of 20% less carbon intensive than the ASX300.

19. Where possible and consistent with the overall investment strategy, over time, the ACPT will seek to invest in companies with a stated climate change commitment and an action plan to reduce their emissions.
20. The ACPT will use its influence, through its investment managers, to encourage companies in its investment portfolio to reduce their greenhouse gas emissions and improve the resiliency of their businesses to the impacts of climate change.
21. In addition, where possible and consistent with the overall investment strategy, over time, the ACPT will seek to invest in solutions to climate change, for example, renewable energy and low carbon transport.
22. ACPT will seek to progressively reduce the overall carbon intensity of its investments in securities of other entities, when sufficient independently sourced information is available.

Modern Slavery Consideration

Preamble

23. The ACPT opposes slavery in all its forms and supports the Modern Slavery Act in Australia. The ACPT recognises the responsibility of all societal stakeholders, including faith-based organisations, civil society, business and investors, in seeking to end these practices in their businesses, partnerships, supply chains and investments.

Key principles

24. The ACPT seeks to -
 - (a) Communicate to its partners, service providers and entities linked to investments, to inform them of the ACPT's strong anti-slavery stance, and to seek assurances that they are aware of modern slavery issues, the recent legislation, and are taking appropriate action.
 - (b) Ensure its investment manager is monitoring 'red flags' as they relate to the issue, including any modern slavery, labour standards or human rights incidents linked to investee companies, and use this to engage with managers and take appropriate action.
 - (c) Obtain the proxy voting reports and the outcomes of corporate engagement as it relates to modern slavery practices.

Monitoring compliance with this Policy

25. ACPT will ensure that its service level agreement with each investment manager requires that the investment manager monitors compliance with this Policy and reports to ACPT about such compliance in such form and at such frequency as is agreed.
26. ACPT will report to the Synod each year about its compliance with this Policy.

Review of Policy

27. This Policy will be reviewed by ACPT annually.

10 June 2020

ⁱ <https://www.fsb-tcf.org/about/#> the TCFD is an independent body to develop voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders.